

Message Text

PAGE 01 NATO 01339 01 OF 04 121721Z

43

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-07 INR-10 L-03

NEA-10 NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15

TRSE-00 SAJ-01 OMB-01 ACDA-19 IO-14 AEC-11 AECE-00

DRC-01 MC-02 /129 W

----- 071694

P R 121432Z MAR 74

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 4539

SECDEF WASHDC PRIORITY

INFO AMEMBASSY ROME

S E C R E T SECTION 1 OF 4 USNATO 1339

TEXT OF DRAFT COUNTRY CHAPTER (EXCEPT FOR INTRODUCTION) ON
1975-80 DRAFT FORCE GOALS FOR ITALY (DRC/WP(74)1) IS QUOTED
BELOW:

BEGIN TEXT:

II. FORCE PROPOSALS

3. THE OBJECTIVE OF THE MAJOR NATO COMMANDERS' FORCE
PROPOSALS IS TO PROVIDE, FROM AN ALLIANCE-WIDE MILITARY POINT
OF VIEW, THE FORCE STRUCTURE NECESSARY FOR THEM TO DISCHARGE
THEIR MISSION. THE NATO MILITARY AUTHORITIES CONSIDER THE
MEASURES PROPOSED FOR THE PERIOD 1975-1980 TO BE THE MINIMUM
REQUIREMENTS IF NATO FORCES ARE TO MAINTAIN A CREDIBLE DETERRENT.
THE FORCE PROPOSALS ARE BASED ON THE PREMISE THAT, UNLESS STATED
OTHERWISE, THE FORCE LEVELS AND THE IMPROVEMENT MEASURES
INDICATED IN CURRENT NATIONAL FORCE PLANS UP TO 1978 ARE
MAINTAINED AND IMPLEMENTED AS IDENTIFIED IN THE 1973 DEFENCE
REVIEW. IN MANY CASES, THE FORCE PROPOSALS INCLUDE MEASURES
WHICH ARE ALREADY IN THESE COUNTRY FORCE PLANS, BUT MOST
MEASURES CALLED FOR ARE IN ADDITION TO THOSE CONTAINED IN
COUNTRY PLANS.

SECRET

PAGE 02 NATO 01339 01 OF 04 121721Z

4. THE MAIN QUANTITATIVE CHANGES AND QUALITATIVE
IMPROVEMENTS FOR THE FORCES PLANNED BY ITALY AND THE PRINCIPAL
IMPROVEMENTS PROPOSED BY THE NATO MILITARY AUTHORITIES ARE
SUMMARISED BRIEFLY BELOW.

ARMY

5. THE CURRENT ITALIAN ARMY FORCE PLAN FOR THE PERIOD 1974-1978 PLACED EMPHASIS ON MODERNISATION AND REPLACEMENT OF EQUIPMENT (PROCUREMENT OF 130 OW ANTI-TANK MISSILE SYSTEMS, 600 LEOPARD TANKS, 600 ARMoured PERSONNEL CARRIERS (M-113-A.1) AND 200 155MM HOWITZERS (FH-70). ALSO PLANNED ARE THE QCQUISITION OF HELICOPTERS, THE REPLACEMENT OF 2 HONEST JOHN BATTALIONS (12 LAUNCHERS) BY ONE LANCE BATTALION (SIX LAUNCHERS), AND THE INTRODUCTION OF NEW SHORT AND MEDIUM RANGE ANTI-TANK WEAPONS AND LOW LEVEL AIR DEFENCE WEAPON SYSTEMS FROM NATIONAL PRODUCTION.

6. THE NEW FORCE PROPOSALS AIM AT IMPROVEMENTS IN LOW-LEVEL AIR DEFENCE CAPABILITY FOR COMBAT UNITS, ANTI-AMOUR DEFENCE, ADM CAPABILITY, ARTILLERY, AND IN ELECTRONIC COUNTER-MEASURES, AND THE ACQUISITION OF FURTHER LANCE MISSILE LAUCHERS. CERTAIN OF THESE MEASURES ARE ALREADY IN NATIONAL PLANS.

7. AMONG THE MOST SIGNIFICANT PROPOSALS; WHICH ARE NOT ALREADY COVERED BY NATIONAL PLANS ARE:

(A) INCREASE IN THE MANNING LEVELS OF CATEGORY A AND BY UNITS AS REQUIRED BY ACE FORCE STANDARDS (CURRENTLY SOME 58 PERCENT OF WAR AUTHORISED STRENGTH IN MAJOR COMBAT UNITS); 60,000 MORE MEN WILL BE NEEDED.

APPROXIMATE COST: IT. L. 210,000 MILLION;

(B) INCREASE IN STOCKS, WITH PRIORITY FOR AMMUNITION, UP TO A LEVEL OF 30 DAYS.

APPROXIMATE COST: IT.L. 1,143,000 MILLION;

(C) ADDITIONAL MEASURES TO MODERNISE AND UPGRADE ANTI-ARMOUR DEFENCE, WHICH INCLUDES REPLACEMENT OF OBSOLETE TANK DESTROYERS BY MODERN TYPES, ACQUISITION OF HELICOPTERS WITH AN ANTI-TANK CAPABILITY AND PROVISION OF MODERN ANTI-ARMOUR AMMUNITION FOR THE 155MM HOWITZERS CAPABLE OF DELIVERING ANTI-ARMOUR BOMBLETS AND MINELETS.

SECRET

PAGE 03 NATO 01339 01 OF 04 121721Z

APPROXIMATE COST: IT.L. 149,000 MILLION;

(D) REPLACEMENT OF 1,500 OBSOLESCE M-47 TANKS WITH A MODERN TANK ON A ONE-FOR-ONE BASIS.

APPROXIMATE COST: IT.L. 605,000 MILLION;

(E) COMPLETION OF THE MECHANISATION OF THE CREMONA INFANTRY DIVISION.

APPROXIMATE COST: IT.L. 137,000 MILLION;

(F) ACQUISITION OF MORE LANCE SYSTEMS THAN CURRENTLY PLANNED.

APPROXIMATE COST FOR ANOTHER LANCE BATTALION:

IT.L. 30,000 MILLION.

THESE MEASURES COVER ABOUT 90 PERCENT OF THE TOTAL AMOUNT OF THE COSTED FORCE PROPOSALS FOR THE ARMY.

8. THE REMAINING PROPOSALS CONCERN NBC EQUIPMENT, COMMUNICATIONS EQUIPMENT FOR COMMAND AND CONTROL, BATTLEFIELD SURVEILLANCE, PROVISION OF 300 MECHANISED INFANTRY COMBAT VEHICLES (MICV) FOR COMBAT SUPPORT UNITS, NUCLEAR CAPABILITY FOR FOUR 155MM HOWITZER BATTALIONS, ELECTRONIC WARFARE CAPABILITY FOR COMBAT UNITS AND ARMY AIRCRAFT, AND IMPROVEMENT OF MEDICAL SUPPORT CAPABILITY.

NAVY

9. PRESENT AND FORWARD PLANNING FOR THE ITALIAN NAVY IS DIRECTED TOWARDS THE REPLACEMENT OF ITS OLDER DESTROYERS AND ESCORTS BY MORE MODERN ONES; IMPROVEMENT IN THE SURVIVABILITY CAPABILITY OF ITS GUIDED MISSILE MAJOR SURFACE SHIPS BY INSTALLING POINT DEFENCE MISSILE SYSTEMS AND SURFACE-TO-SURFACE MISSILE SYSTEMS; THE BUILD-UP OF ITS SUBMARINE FLEET AND THE ACQUISITION OF HYDROFOIL GUIDED MISSILE FAST PATROL BOATS AND ASW HELICOPTERS AND IMPROVEMENT IN ELECTRONIC WARFARE CAPABILITY.

SECRET

PAGE 01 NATO 01339 02 OF 04 121737Z

43

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-07 INR-10 L-03

NEA-10 NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15

TRSE-00 SAJ-01 OMB-01 ACDA-19 IO-14 AEC-11 AECE-00

DRC-01 MC-02 /129 W

----- 071876

P R 121432Z MAR 74

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 4540

SECDEFWASHDC PRIORITY

INFO AMEMBASSY ROME

S E C R E T SECTION 2 OF 4 USNATO 1339

10. THE FORCE PROPOSALS SUPPORT THE NATIONAL PLANS AND AIM AT EXPEDITING THEIR IMPLEMENTATION AND INCREASING THEM. PRIORITY I HAS BEEN GIVEN ON THE QUANTITATIVE SIDE TO ACQUIRING BY 1980 NINE GUIDED MISSILE OCEAN ESCORTS (THERE ARE ONLY TENTATIVE COUNTRY PLANS FOR THESE SHIPS); TO THE CONSTRUCTION OF FOUR SAURO CLASS SUBMARINES IN ADDITION TO THE TWO UNDER CONSTRUCTION; TO ACQUIRING TWO MORE HYDROFOIL GUIDED MISSILE FAST PATROL BOATS IN ADDITION TO THE EIGHT ALREADY PLANNED; TO THE ACQUISITION OF 14 ADDITIONAL MARITIME PATROL AIRCRAFT, 44 HELICOPTERS (SHORE BASED AND EMBARKED) AND TWO

FAST COMBAT SUPPORT SHIPS IN ADDITION TO THE OTHER ONE OILER ALREADY UNDER CONSTRUCTION. FROM A QUALITATIVE POINT OF VIEW, PRIORITY I HAS BEEN ACCORDED TO IMPROVING THE EFFECTIVENESS OF THE EXISTING SIX GUIDED MISSILE DESTROYERS AND FOUR DESTROYER ESCORTS BY FITTING POINT DEFENCE AND SURFACE-TO-SURFACE MISSILE SYSTEMS (COUNTRY PLANS INCLUDE THE FITTING OF THESE SYSTEMS TO ALL THOSE SHIPS EXCEPT FOR TWO DESTROYERS, AND IMPROVING THE ELECTRONIC WARFARE CAPABILITY OF THE ITALIAN NAVY.

1. PRIORITY II AND III PROPOSALS INCLUDE INCREASES IN WAR RESERVES, IMPROVEMENT IN NBC DEFENSIVE CAPABILITY, ACQUISITION OF AMPHIBIOUS SHIPS, MINE COUNTERMEASURE VESSELS, SHORE-TO-SHIP
SECRET

PAGE 02 NATO 01339 02 OF 04 121737Z

MISSILE SYSTEMS, A SURVEILLANCE SYSTEM IN THE SICILIAN STRAITS AND THE DEFENCE OF THE SHORE BASES.

12. THE TOTAL COST OF THE NAVAL FORCE PROPOSALS IF IT.L. 1,756,000 MILLION, BUT THIS DOES NOT INCLUDE COSTS FOR INSTALLING A SURVEILLANCE SYSTEM IN THE SICILIAN STRAITS OR THE PROCUREMENT OF AMPHIBIOUS SHIPS, WHICH COULD NOT BE COSTED BECAUSE OF LACK OF DATA. THE ESTIMATED COST OF THE ADDITIONAL UNITS INCLUDED IN THE PROPOSALS IS IT.L. 1,400,000 MILLION (80 PERCENT OF THE COSTED TOTAL). THE QUALITATIVE COSTS ARE ESTIMATED TO BE IT.L. 356,000 MILLION. THE PROPOSAL FOR THE ACQUISITION OF NEW OCEAN AND COASTAL ESCORTS IS THE MOST COSTLY PROPOSAL (IT.L. 914,000,000 MILLION) AND REPRESENTS SOME 52 PERCENT OF THE TOTAL. CONSTRUCTION OF SUBMARINES WILL REPRESENT 9 PERCENT OF THE TOTAL, DEFENCE OF SHORE INSTALLATIONS 6 PERCENT OF THE TOTAL (THE MOST COSTLY OF THE QUALITATIVE MEASURES) AND IMPROVING ELECTRONIC WARFARE CAPABILITY 2 PERCENT OF THE TOTAL.

AIR FORCE

13. THE NATIONAL AIR FORCE PLANS FOR THE PERIOD 1974-1978 COVER MAINLY MODERNISATION THROUGH CONVERSION TO IMPROVED AIRCRAFT AND THE INSTALLATION OF NEW EQUIPMENT IN AIRCRAFT.

14. MODERNISATION PROGRAMMES OF THE AIR DEFENCE AND RECONNAISSANCE SQUADRONS ARE CONTINUING. THE CONVERSION OF THE LAST AIR DEFENCE SQUADRONS ARE CONTINUING. THE CONVERSION OF THE LAST DEFENCE SQUADRONS TO F-104S AIRCRAFT WILL BE COMPLETED BY END-1974 AND IN THE FOLLOWING YEAR THE LAST RECONNAISSANCE SQUADRON WILL BE EQUIPPED WITH RF-104G AIRCRAFT. AN ADDITIONAL ATTACK/RECONNAISSANCE SQUADRON OF G-91Y AIRCRAFT WILL BE EARMARKED TO NATO AS SOON AS THE CONVERSION TO THIS TYPE OF AIRCRAFT IS COMPLETED. THERE ARE ALSO TENTATIVE PLANS TO INCREASE THE UNIT ESTABLISHMENT FROM 12 TO 18 AIRCRAFT IN THE AIR DEFENCE AND RECONNAISSANCE SQUADRONS DURING 1975-1978 BUT NO FIRM PROGRAMMES EXIST. TOWARDS END-1976, THE RECONNAISSANCE CAPABILITY OF THE RF-104G AIRCRAFT WILL BE IMPROVED BY INSTALLATION OF POD-ORPHEUS; AT ABOUT THE SAME TIME THE INSTALLATION OF ECM

EQUIPMENT IN THE F-104G AND F-104S AIRCRAFT WILL BE COMPLETED.

15. THE FORCE PROPOSALS SUPPORT THE NATIONAL PLANS AND THEIR
SECRET

PAGE 03 NATO 01339 02 OF 04 121737Z

MAIN THRUST IS DIRECTED TOWARDS AN INCREASE IN NUMBERS OF AIRCRAFT IN THE AIR DEFENCE AND RECONNAISSANCE SQUADRONS. THE PROPOSED INCREASE IN THE UNIT ESTABLISHMENT BY SIX AIRCRAFT IN SIX F-104S SQUADRONS AND IN THREE RF-104G SQUADRONS IS ESTIMATED TO COST IT.L. 371,000 MILLION. THE IMPROVEMENT OF NIGHT/ALL WEATHER CAPABILITY OF RF-104G AIRCRAFT IS PARTLY INCLUDED IN THE COUNTRY PLANS BUT MODIFICATION OF THE REMAINING 12 AIRCRAFT NEEDS ADDITIONAL FUNDS OF AN ORDER OF IT.L. 6,000 MILLION.

16. IN THE FIELD OF ELECTRONIC WARFARE THE FORCE PROPOSALS RECOMMENDED THAT ITALY EQUIP THE TACTICAL AIRCRAFT IN THE VARIOUS ROLES WITH APPROPRIATE ADDITIONAL ELECTRONIC WARFARE SELF PROTECTION EQUIPMENT (ESTIMATED COST: IT.L. 79,000 MILLION). PROVISION OF ELECTRONIC WARFARE SUPPORT IS RECOMMENDED IN CO-OPERATION WITH OTHER NATO NATIONS; THE FORCE PROPOSALS SUGGEST THAT ECCM TRAINING MIGHT BE PROVIDED ON A CO-OPERATIVE BASIS. ITALY HAS EARMARKED TWO AIRCRAFT FOR THIS PRUPOSE BUT FUNDS FOR THE ELECTRONIC EQUIPMENT OF AN ORDER OF IT.L. 12,000 MILLION ARE ADDITIONAL.

17. IMPROVMENT IN STOCK LEVELS OF AIR MUNITIONS AND MODERNISATION OF THE INVENTORY CALL FOR ADDITIONAL FUNDS OF ABOUT IT.L. 60,000 MILLION.

18. THE FORCE PROPOSALS PUT EMPHASIS ON THE PROVISION OF AN EFFECTIVE RAPID RUNWAY REPAIR CAPABILITY AT 19 AIRFIELDS. NOT INCLUDED IN COUNTRY PLANS, ADDITIONAL FUNDS OF ABOUT IT.L. 20,000 MILLION ARE REQUIRED.

19. THE PROVISION OF SHORT RANGE LOW-LEVEL ALL WEATHER DEFENCE (SHORAD) FOR A TOTAL OF 19 AIR BASES IS ESTIMATED TO COST ABOUT IT.L. 327,000 MILLION AND THE PROVISION OF ONE BATTERY AT EACH OF FOUR OFFENSIVE AIR BASES ABOUT IT.L. 4,000 MILLION.

20. LATER IN THE PLANNING PERIOD, THE MODERNISATION OF TWO ATTACK/RECONNAISSANCE SQUADRONS PRESENTLY EQUIPPED WITH G-91R AIRCRAFT IS PROPOSED AS WELL AS THE ESTABLISHMENT OF THREE NEW OFFENSIVE SQUADRONS AND ONE RECONNAISSANCE SQUADRON, EACH HAVING A UNIT ESTABLISHMENT OF 18 AIRCRAFT. IT IS
SECRET

PAGE 04 NATO 01339 02 OF 04 121737Z

ASSUMED THAT THE REPLACEMENT AIRCRAFT FOR THE ATTACK/
RECONNAISSANCE SQUADRON WILL BE OF A FOLLOW-ON G-91 TYPE

WHEREAS THE ADDITIONAL OFFENSIVE AND RECONNAISSANCE SQUADRONS WILL BE EQUIPPED WITH AN MRCA TYPE AIRCRAFT. THESE PROPOSALS ARE NOT INCLUDED IN THE COUNTRY PLANS AND ADDITIONAL FUNDS ARE REQUIRED OF AN ORDER OF IT.L. 171,000 MILLION FOR THE REPLACEMENT OF G91R AND IT.L. 1,229,000 MILLION FOR THE INCREASE IN NUMBERS OF SQUADRONS; THE COST OF THESE TWO PROPOSALS REPRESENT ABOUT 47 PERCENT OF THE TOTAL AMOUNT OF THE FORCE PROPOSALS COSTED.

SECRET

PAGE 01 NATO 01339 03 OF 04 121829Z

43

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-07 INR-10 L-03

NEA-10 NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15

TRSE-00 SAJ-01 OMB-01 ACDA-19 IO-14 AEC-11 AECE-00

DRC-01 MC-02 /129 W

----- 072525

P R 121432Z MAR 74

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 4541

SECDEF WASHDC PRIORITY

INFO AMEMBASSY ROME

S E C R E T SECTION 3 OF 4 USNATO 1339

III. ASSESSMENT OF THE ECONOMIC AND FINANCIAL IMPLICATIONS THE ECONOMIC SITUATION AND OUTLOOK

21. IN 1973 THE GROSS NATIONAL PRODUCT PER CAPITA, DESPITE A RAPID INCREASE OVER THE LAST DECADE, RANKED TENTH IN NATO EUROPE AND DEFENCE EXPEDITURES PER CAPITA EITHTH. THE SHARE OF GNP DEVOTED TO DEFENCE AT SOME 3.5 PERCENT WAS BELOW THE AVERAGE FOR EUROPEAN MEMBER COUNTRIES (4.2PERCENT). FOLLOWING A SHARP DECLINE TWO YEARS AGO DUE TO MAJOR LABOUR DISPUTES, THE GNP GROWTH IMPROVED SUBSTANTIALLY TO OVER 5 PERCENT IN REAL TERMS LAST YEAR; THE RATE OF INFLATION WAS, HOWEVER, ONE OF THE HIGHEST IN EUROPE AND ATTAINED 12 PERCENT. THE BALANCE OF PAYMENTS DETERIORATED SHARPLY DUE TO UNFAVOURABLE TERMS OF TRADE AND THE CURRENT ACCOUNT DEFICIT WAS OF THE ORDER OF \$1,500 MILLION. CORRECTIVE MEASURES TAKEN THIS YEAR TO CURB INFLATION AND IMPROVE THE BALANCE OF PAYMENTS SITUATION ARE LIKELY TO BE MORE THAN OFFSET BY THE REPRECUSSIONS OF THE OIL CRISIS, PARTICULARLY AS 80 PERCENT OF ITALY'S TOTAL ENERGY SUPPLIES ARE FROM IMPORTED OIL. THE SHORT-TERM PROSPECTS ARE FOR A CONTINUINGLY HIGH INFLATION RATE AND A SUBSTANTIAL BALANCE OF PAYMENTS DEFICIT. HOWEVER, THERE IS STILL A VERY CONSIDERABLE POTENTIAL FOR RELATIVELY RAPID ECONOMIC GROWTH, AND WHILE THE 6 PERCENT YEARLY RATE PROJECTED BY

SECRET

PAGE 02 NATO 01339 03 OF 04 121829Z

THE OECD BEFORE THE OIL CRISIS NOW APPEARS OPTIMISTIC, A 3 PERCENT TO 4 PERCENT AVERAGE YEARLY RISE WOULD APPEAR A REASONABLE ASSUMPTION ON A MORE PESSIMISTIC VIEW OF FUTURE DEVELOPMENTS.

THE CURRENT FORCE PLANS AND EXPENDITURES

22. NO INDICATION OF THEIR PLANNED EXPENDITURES WAS PROVIDED BY THE ITALIAN AUTHORITIES IN THEIR REPLY TO DPQ(73). AS STATED IN THE DEFENCE REVIEW LAST YEAR, ITALY WILL CONTINUE TO MAINTAIN HER MILITARY CONTRIBUTION TO THE ALLIANCE AT APPROXIMATELY THE PRESENT LEVEL (1). FOR THE PURPOSES OF THE CALCULATIONS IN THE FOLLOWING PARAGRAPHS, IT HAS BEEN ASSUMED THAT THE AVERAGE YEARLY GROWTH OF DEFENCE EXPENDITURES OF THE PERIOD UNDER CONSIDERATION WOULD BE OF THE SAME ORDER AS THAT OF THE AVERAGE ACHIEVED DURING THE PRECEDING YEARS, I.E. SOME 2.5 PERCENT (SEE TABLE BELOW).

(1) DPC/D(73)23-ITALY

FINANCIAL AND ECONOMIC TABLE

ITALY

(MILLIARD LIRE--1972 CONSTANT PRICES)

1975 1976 1977 1978 1979 1980

GORSS NAT'L PRODUCT

(AT FACTOR COST)(1) 73,505 77,915 82,540 87,545 92,798 98,366

DEF EXPENDITURES

(A) PROJ EXP (2) 2,258 2,314 2,372 2,431 2,492 2,554

(B) PRLM EXP BASED ON MINISTERIAL GUIDANCE (3)

-& HIGHER GNP GROWTH

,2,415 2,560 2,714 2,877 3,050 3,233

-& LOWER GNP GROWTH 2,324 2,417 2,514 2,615 2,720 2,829

DEF EXP AS A PERCENT OF GNP

3.1 3.0 2.9 2.7 2.7 2.5

NOTES: THE FIGURES SHOWN IN THE ABOVE TABLE ARE THE INTERNATIONAL STAFF'S PROJECTIONS OF THE LIKELY TRENDS OF GNP AND POSSIBLE ALTERNATIVE TRENDS IN DEFENCE EXPENDITURES. WHEREVER POSSIBLE THEY ARE BASED ON THE DATA CONTAINED IN THE 1973 COUNTRY CHAPTER (DPC/D(73)23-ITALY). SPECIFIC INFORMATION ON THE METHOD APPLIED TO THE CALCULATIONS IS PROVIDED IN THE FOLLOWING NOTES:

(1) BASIS: GNP FOR 1973 AT 1972 PRICES: IT.L. 75,419 MILLIARD;

YEARLY PERCENTAGE CHANGE IN VOLUME: 6 PERCENT (1973-1980) OECD

SECRET

PAGE 03 NATO 01339 03 OF 04 121829Z

PROJECTION. NATIONAL PLAN INDICATES A SIMILAR RATE OF GROWTH, BOTH PROJECTIONS SUBJECT TO DOWNWARD REVISION (SEE PARA 21).

(2) BASED ON THE REVISED 1973 EXPENDITURE FIGURE (IT.L. 2,385 MILLIARD) ADJUSTED TO 1972 PRICES (THE PRICE RISE 1973 OVER

1972 FOR DEFENCE EXPENDITURE HAS BEEN ASSUMED TO BE SIMILAR TO THAT OF THE GNP AS A WHOLE. A RATE OF GROWTH OF DEFENCE EXPENDITURE 1973-80 OF 2.5 PERCENT IS ASSUMED.

(3) THE MINISTERIAL GUIDANCE (DPC/D(73)8) CONCERNING RESOURCES (I.E. THE ALLOCATION TO DEFENCE OF A STABLE PROPORTION OF THE GROWING NATIONAL WALTH) APPLIED TO:
- THE HIGHER GNP GROWTH RATE OF 6 PERCENT (THE OECD PROJECTION)
- THE LOWER GNP GROWTH RATE OF ABOUT 4 PERCENT.

SECRET

PAGE 01 NATO 01339 04 OF 04 121954Z

64

ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 CIAE-00 PM-07 INR-10 L-03

NEA-10 NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15

TRSE-00 SAJ-01 OMB-01 ACDA-19 IO-14 AEC-11 AECE-00

MC-02 DRC-01 /129 W

----- 073405

P R 121432Z MAR 74

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 4542

SECDEF WASHDC PRIORITY

INFO AMEMBASSY ROME

S E C R E T SECTION 4 OF 4 USNATO 1339

ADDITIONAL EXPENDITURES REQUIRED TO COVER THE FORCE PROPOSALS

23. TENTATIVE ESTIMATES OF THE COST OF THE FORCE PROPOSALS, WHICH ARE ADDITIONAL TO THE AGGREGATE EXPENDITURE RESULTING FROM THE ABOVE ASSUMPTIONS, AMOUNT TO AROUND IT.L. 7,200 MILLIARD. THIS WOULD IMPLY A CULULATIVE YEARLY INCREASE IN DEFENCE EXPENDITURES IN A REAL TERMS OF THE ORDER OF 8 PERCENT ON THE 1973 LEVEL (I.E. THE AMOUNT WOULD BE IN ADDITION TO THE 2.5 PERCENT ANNUAL INCREASE ASSUMED IN PARA 22 ABOVE. FOR THE SIX YEAR PERIOD AS A WHOLE IT WOULD IMPLY EXPENDITURES FOR DEFENCE SOME 50 PERCENT ABOVE THE ASSUMED LEVEL OF IT.L. 14,400 LILLIARD (SEE TABLE ABOVE). THE AMOUNT MENTIONED DOES NOT, HOWEVER, COVER SOME EIGHT FORCE PROPOSALS WHICH COULD NOT BE COSTED BECAUSE OF THEIR NATURE OR THE UNAVAILABILITY OF COST DATA. ALTHOUGH SOME OF THESE PROPOSALS WHICH COULD NOT BE COSTED BECAUSE OF THEIR NATURE OR THE UNAVAILABILITY OF COST DATA. ALTHOUGH SOME OF THESE PROPOSALS CONCERN RESEARCH AND DEVELOPMENT AND THE RELATED COSTS COULD WELL BE MODERATE, ONE OR TWO MIGHT INVOLVE MORE SUBSTANTIAL OUTLAYS.

THE FEASIBILITY OF THE FORCE PROPOSALS

SECRET

PAGE 02 NATO 01339 04 OF 04 121954Z

24. AN AVERAGE YEARLY GROWTH RATE OF DEFENCE EXPENDITURE OF 2.5 PERCENT UNDER THE ASSUMPTIONS MADE ABOVE IS WELL BELOW THE RATE INDICATED BY THE RESOURCE GUIDANCE TO THE NATO MILITARY AUTHORITIES MADE BY MINISTERS IN JUNE 1973(1), WHICH WOULD HAVE IMPLIED A YEARLY GROWTH RATE OF 6 PERCENT WHEN BASED ON PROJECTIONS OF THE GNP GROWTH RATE REPORTED BY THE OECD IN 1972(2). THIS GROWTH RATE, WHICH IN VIEW OF THE ENERGY CRISIS MIGHT BE CONSIDERED AN UPPER LIMIT, WOULD HAVE ADDED APPROXIMATELY IT.L. 2,400 MILLIARD OVER AND ABOVE THE LEVEL IMPLICIT IN THE ASSUMPTION OF A 2.5 PERCENT YEARLY RISE IN DEFENCE EXPENDITURES(3). HOWEVER, TAKING INTO ACCOUNT THE POSSIBLE REPRECUSIONS OF THE ENERGY CRISIS, AND ASSUMING A LOWER GROWTH RATE OF 4 PERCENT (AND A CONSTANT PROPORTION OF GNP ALLOTTED TO DEFENCE, AS CALLED FOR IN THE MINISTERIAL GUIDANCE) THE EXTRA RESOURCES FOR DEFENCE WOULD AMOUNT TO SOME IT.L. 1,000 MILLIARD OVER THE PERIOD. ON THE ABOVE ASSUMPTIONS, WHICH IMPLY HOLDING THE DEFENCE SHARE OF GNP AT 3.3 PERCENT, THE ADDITIONAL RESOURCES WHICH WOULD BECOME AVAILABLE FOR DEFENCE WOULD COVER BETWEEN 15 PERCENT AND 30 PERCENT OF THE TOTAL OF THE COSTED FORCE PROPOSALS. THE ADDITIONAL FINANCING REQUIRED TO IMPLEMENT ALL THESE PROPOSALS WOULD REQUIRE A SUBSTANTIAL ANNUAL RISE IN THE DEFENCE BUDGET, IMPLYING A DEFENCE SHARE OF GNP OF AROUND 4 PERCENT BY 1980, A LEVEL STILL BELOW THE CURRENT NATO EUROPEAN AVERAGE OF 4.2 PERCENT.

FINANCIAL AND ECONOMIC IMPLICATIONS OF DRC RECOMMENDATIONS

25. TO BE COMPLETED AFTER THE DRC REVIEW

(1) DPC/D(73)8

(2) "EXPENDITURE TRENDS IN OECD COUNTRIES 1970-1980", JULY 1972

(3) SEE LINE II(B) OF TABLE ABOVE.

FINAL ASSESSMENT OF THE FEASIBILITY OF THE DRAFT FORCE GOALS

26. (TO BE COMPLETED AFTER THE DRC REVIEW)

IV. RESULTS OF THE MULTILATERAL EXAMINATION BY THE DRC

27. THE MILITARY COMMITTEE HAS STATED THAT IS IS SATISFIED THAT ITS FORCE PROPOSALS FOR 1975-80 ARE COMPATIBLE
SECRET

PAGE 03 NATO 01339 04 OF 04 121954Z

WITH THE MINISTERIAL GUIDANCE, FULLY REFLECT THE THRUST OF AD70 AND THE BASIC ISSUES, PROPERLY REFLECT THE MINIMUM REQUIREMENTS FOR MAJOR NATO COMMANDERS TO EXECUTE THEIR MISSION, INCLUDE PROPOSALS DESIGNED TO OFFSET THE CRITICAL

DEFICIENCIES PREVIOUSLY IDENTIFIED IN COUNTRY FORCE PLANS,
AND OFFER A CONSIDERABLE CHALLENGE TO NATIONS.

28. IN ACCORDANCE WITH THE PROCEDURE (1), THE DEFENCE
REVIEW COMMITTEE HAD EXAMINED THE MILITARY COMMITTEE'S FORCE
PROPOSALS ON BEHALF OF THE DEFENCE PLANNING COMMITTEE.
ANALYSES OF THE NON-MILITARY IMPLICATIONS OF THE FORCE
PROPOSALS AND THEIR POLITICAL, FINANCIAL AND ECONOMIC FEASI-
BILITY SUMMARISED ABOVE LEAD THE DEFENCE REVIEW COMMITTEE
TO RECOMMEND CERTAIN AMENDMENTS AND MODIFICATIONS BEARING IN
MIND THAT IN DEVELOPING FORCE GOALS, IT SHOULD NOT BE IN THE AIM
TO TAILOR MILITARY PROPOSALS TO A SIMPLE PROJECTION OF KNOWN
COUNTRY PLANS; THE GOALS SHOULD STRIKE A BALANCE BETWEEN

(1) ANNEX 1 TO DPC/D(71)10, 19TH MAY, 1971

MILITARY REQUIREMENTS, AVAILABLE RESOURCES AND POLITICAL
CONSIDERATIONS. THEY SHOULD REPRESENT A DESIRABLE OBJECTIVE
OF CO-ORDINATED NATO FORCE PLANNING AND PRESENT ITALY WITH
A REASONABLE CHALLENGE IN THE ALLOCATION AND EFFECTIVE
APPLICATION OF RESOURCES(1).

29. AS A RESULT, THE DEFENCE REVIEW COMMITTEE RECOMMENDS
THE ADOPTION OF THE MILITARY COMMITTEE'S FORCE PROPOSALS AS
NATO FORCE GOALS SUBJECT TO THE FOLLOWING CHANGES:
(TO BE COMPLETED AFTER DRC REVIEW)

V. LOW COST/NO COST ITEMS(2)

VI. OPPORTUNITIES FOR STANDARDISATION AND CO-OPERATION IN
DEVELOPMENT AND PROCUREMENT OF WEAPON SYSTEMS(2)

VII. RECOMMENDATIONS(2)

(1) ANNEX 1 TO DPC/D(71)10, PARAGRAPH 22

(2) TO BE COMPLETED AFTER DRC REVIEW

SECRET

PAGE 04 NATO 01339 04 OF 04 121954Z

END TEXT. MCAULIFFE

SECRET

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 11 JUN 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 12 MAR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974USNATO01339
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: n/a
From: USNATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740383/dcldfaax.tel
Line Count: 530
Locator: TEXT ON-LINE
Office: n/a
Original Classification: SECRET
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators:
Previous Classification: SECRET
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 10 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 APR 2002 by ifshinsr>; APPROVED <30-Aug-2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 19990813; <DBA CORRECTED> jms 19990818
Subject: TEXT OF DRAFT COUNTRY CHAPTER ON 1975-80 DRAFT FORCES GOALS FOR ITALY
TAGS: PFOR
To: STATE
SECDEF INFO ROME
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005